

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of Avista Corporation (U 907 G), a Washington corporation, and Southwest Gas Corporation (U 905 G), a California corporation, for authority to sell interests in utility property pursuant to the provision of Section 851 of the Public Utilities Code of the State of California.

Application 04-09-009  
(Filed September 3, 2004)

**ADMINISTRATIVE LAW JUDGE'S RULING SETTING  
SETTLEMENT HEARING FOR JANUARY 14, 2005**

In this application, Avista Corporation (Avista) proposes to sell its gas facilities in South Lake Tahoe to Southwest Gas Corporation (Southwest) for \$15 million. Avista's 18,600 customers – the only customers Avista serves in California – would be transferred to Southwest, which already serves 30,000 gas customers in the South Lake Tahoe area. The application has been protested by the Office of Ratepayer Advocates (ORA).

On December 21, 2004, ORA notified the Administrative Law Judge that a tentative settlement between the applicants and ORA has been reached and that a formal document is to be submitted to the Commission on or before January 7, 2005. ORA and applicants proposed that a one-day hearing be conducted on Friday, January 14, 2005 to respond to any questions the Commission may have about the proposed settlement.

This ruling sets a Prehearing Conference (PHC) or settlement hearing for Friday, January 14, 2005, beginning at 11 a.m. in the Commission hearing room

in San Francisco. Parties should be prepared either in their settlement documents or at hearing to respond to the following questions, among others:

- Should the application be amended to seek approval under both Pub. Util. Code § 851 and § 854?
- Should affected ratepayers be notified of the proposed transaction via bill insert?
- Is the California Environmental Quality Act applicable to the transaction and, if not, why not?
- On what basis should the Commission find that natural gas purchases of Avista prior to the sale have been prudent?
- On what basis should Southwest be allowed to consolidate future purchases of gas with its other Northern California gas purchases?
- Should the Commission leave open the possibility of recovery of the acquisition cost premium in future rate cases?
- Should the Commission permit transfer of Avista's certificate of public convenience and necessity to Southwest?
- How will rates of Avista gas customers be affected by the proposed acquisition, both now and in the future?

In addition, parties should be prepared to comment on the following proposed paragraphs that our Energy Division advisor suggests be incorporated in the Commission's decision in this matter:

- Southwest will maintain South Lake Tahoe as a separate rate area and will not propose consolidation in a future rate case until it can show that such consolidation would provide an overall benefit to customers. No costs related to Avista's South Lake Tahoe area will be borne by Southwest's existing Northern California customers and, likewise, no costs related to Southwest's Northern California service area will be borne by Avista's existing South Lake Tahoe customers.
- Southwest will initially fund the acquisition of Avista's South Lake Tahoe properties with working capital. The permanent financing of the acquisition will be obtained in the same

manner as Southwest's utility plant capital expenditures, which is from both internally generated funds (retained earnings and depreciation) and external sources of funds.

It is important that parties respond fully, with supporting authority, to these and any other questions that they can anticipate if the Commission is asked to consider a proposed decision approving this acquisition. If relevant questions arise after a proposed decision is submitted, the Commission may well order hearings to seek further answers.

**IT IS RULED** that:

1. A Prehearing Conference, or settlement hearing, will be conducted beginning at 11 a.m. on Friday, January 14, in the Commission hearing room, 505 Van Ness Avenue, San Francisco.
2. Parties should be prepared in settlement documents or at hearing to respond to questions set forth in this ruling.

Dated December 23, 2004, at San Francisco.

/s/ GLEN WALKER  
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Glen Walker  
Administrative Law Judge

**CERTIFICATE OF SERVICE**

I certify that I have by mail this day served a true copy of the original attached Administrative Law Judge's Ruling Setting Settlement Hearing for January 14, 2005 on all parties of record in this proceeding or their attorneys of record.

Dated December 23, 2004, at San Francisco, California.

/s/ TERESITA C. GALLARDO

Teresita C. Gallardo

**N O T I C E**

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

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The Commission's policy is to schedule hearings (meetings, workshops, etc.) in locations that are accessible to people with disabilities. To verify that a particular location is accessible, call: Calendar Clerk (415) 703-1203.

If specialized accommodations for the disabled are needed, e.g., sign language interpreters, those making the arrangements must call the Public Advisor at (415) 703-2074, TTY 1-866-836-7825 or (415) 703-5282 at least three working days in advance of the event.